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(Original Signature of Member)

118TH CONGRESS
1ST SESSION

H. R. _____

To ensure the availability and affordability of homeowners' insurance coverage
for catastrophic events.

IN THE HOUSE OF REPRESENTATIVES

Ms. WILSON of Florida introduced the following bill; which was referred to
the Committee on _____

A BILL

To ensure the availability and affordability of homeowners'
insurance coverage for catastrophic events.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Homeowners’ Defense Act of 2023”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings and purposes.

TITLE I—NATIONAL CATASTROPHE RISK CONSORTIUM

- Sec. 101. Establishment; chairperson; membership; bylaws.
- Sec. 102. Functions.
- Sec. 103. Authorization of appropriations.

TITLE II—CATASTROPHE OBLIGATION GUARANTEES

- Sec. 201. Purposes.
- Sec. 202. Establishment of debt guarantee program.
- Sec. 203. Effect of guarantee.
- Sec. 204. Full faith and credit.
- Sec. 205. Fees for guarantees; amount; collection.
- Sec. 206. Payment of losses.
- Sec. 207. Regulations.

TITLE III—REINSURANCE COVERAGE FOR ELIGIBLE STATE PROGRAMS

- Sec. 301. Program authority.
- Sec. 302. Contract principles.
- Sec. 303. Terms of reinsurance contracts.
- Sec. 304. Maximum Federal liability.
- Sec. 305. Federal Natural Catastrophe Reinsurance Fund.
- Sec. 306. Consideration of rebuilding.
- Sec. 307. Regulations.

TITLE IV—MITIGATION GRANT PROGRAM

- Sec. 401. Mitigation grant program.

TITLE V—GENERAL PROVISIONS

- Sec. 501. Eligible State programs.
- Sec. 502. Study and conditional coverage of commercial residential lines of insurance.
- Sec. 503. Study of risk-based pricing and State program rates.
- Sec. 504. Definitions.
- Sec. 505. Regulations.

1 SEC. 2. FINDINGS AND PURPOSES.

2 (a) FINDINGS.—The Congress finds that—

3 (1) the United States has a history of cata-
4 strophic natural disasters, including hurricanes, tor-
5 nadoes, flood, fire, earthquakes, and volcanic erup-
6 tions;

7 (2) although catastrophic natural disasters
8 occur infrequently, their costs are likely to escalate
9 in the coming years, in part because of the inten-

1 sifying impacts of climate change, coastal develop-
2 ment patterns, and increasing property values along
3 the hurricane-prone or earthquake-vulnerable coast-
4 lines of the United States;

5 (3) such disasters present physical risk to as-
6 sets, publicly traded securities, private investments,
7 and companies;

8 (4) as the risk of catastrophe losses grows, so
9 do the risks that any premiums collected by private
10 insurers for extending coverage will be insufficient to
11 cover future catastrophes, and private insurers, to
12 protect their shareholders and policyholders (in the
13 case of mutually owned companies), have thus sig-
14 nificantly raised premiums and curtailed insurance
15 coverage in States exposed to major catastrophes;

16 (5) such effects on the insurance industry have
17 been harmful to economic activity in States exposed
18 to major catastrophes and have placed significant
19 burdens on residents of such States and the Federal
20 Government; and

21 (6) under the current disaster risk management
22 system, the Federal Government and, hence, tax-
23 payers pay for rebuilding through government
24 grants and low-interest loans.

1 (b) PURPOSES.—The purposes of this Act are to es-
2 tablish a program to provide Federal support for State-
3 sponsored insurance programs to help homeowners pre-
4 pare for and recover from the damages caused by natural
5 catastrophes, to encourage mitigation and prevention for
6 such catastrophes, to promote the use of private market
7 capital as a means to insure against such catastrophes,
8 to expedite the payment of claims and better assist in the
9 financial recovery from such catastrophes.

10 **TITLE I—NATIONAL CATAS-**
11 **TROPHE RISK CONSORTIUM**

12 **SEC. 101. ESTABLISHMENT; CHAIRPERSON; MEMBERSHIP;**
13 **BYLAWS.**

14 (a) ESTABLISHMENT.—There is established an entity
15 to be known as the “National Catastrophe Risk Consor-
16 tium” (in this title referred to as the “Consortium”).

17 (b) CHAIRPERSON.—The Secretary of the Treasury,
18 or the designee of the Secretary, shall serve as the chair-
19 person of the Consortium.

20 (c) MEMBERSHIP.—Any State shall be eligible to par-
21 ticipate in the Consortium.

22 (d) CONSIDERATIONS.—In selecting members of the
23 Consortium, the States shall—

1 (1) select members who have a background and
2 expertise relevant to the functions of the Consor-
3 tium; and

4 (2) ensure the participation of one individual or
5 representative of an organization that represents
6 consumers, minorities, and low- and moderate-in-
7 come housing persons by reflecting the communities
8 that are being affected by catastrophic natural disas-
9 ters.

10 (e) BYLAWS.—The Consortium may prescribe,
11 amend, and repeal such bylaws as necessary to carry out
12 the functions of the Consortium.

13 **SEC. 102. FUNCTIONS.**

14 The Consortium shall—

15 (1) work with States to gather and maintain an
16 inventory of catastrophe risk obligations held by pro-
17 viders of natural catastrophe insurance;

18 (2) assess issues or gaps in the insurance sector
19 of the United States financial system and any re-
20 lated effects on insurance affordability for policy-
21 holders;

22 (3) advance consistent, clear, intelligible, com-
23 parable, and accurate disclosure of catastrophic risk;

24 (4) submit annual reports to the Congress de-
25 scribing the activities of the Consortium for the pre-

1 ceding year, and the first such annual report shall
2 include an assessment of the costs to States and the
3 regions associated with catastrophe risk;

4 (5) assess the potential for major disruptions of
5 private insurance coverage in United States markets
6 particularly vulnerable to catastrophes;

7 (6) make such other recommendations on how
8 identified financial risk can be mitigated, including
9 through new or revised regulatory standards, as ap-
10 propriate; and

11 (7) account for and identify disparate impacts
12 of catastrophic risks on disadvantaged communities
13 and communities of color.

14 **SEC. 103. AUTHORIZATION OF APPROPRIATIONS.**

15 There are authorized to be appropriated to carry out
16 this title such sums as may be necessary for each of fiscal
17 years 2024 through 2027.

18 **TITLE II—CATASTROPHE**
19 **OBLIGATION GUARANTEES**

20 **SEC. 201. PURPOSES.**

21 The purposes of this title are to establish a pro-
22 gram—

23 (1) to promote the availability of private capital
24 to provide liquidity and capacity to State catas-
25 trophe insurance programs; and

1 versary of the issuance of the commitment to guarantee.
2 The commitment to guarantee and each extension of such
3 commitment may be issued by the Secretary only if the
4 following requirements are satisfied:

5 (1) The eligible State program submits to the
6 Secretary a report setting forth, in such form and
7 including such information as the Secretary shall re-
8 quire, how the eligible State program plans to repay
9 the debt.

10 (2) Based upon the eligible State program's re-
11 port submitted pursuant to paragraph (1), the Sec-
12 retary determines there is reasonable assurance that
13 the eligible State program can meet its repayment
14 obligation under the debt.

15 (3) The eligible State program enters into an
16 agreement with the Secretary, as the Secretary shall
17 require, that the eligible State program will not use
18 Federal funds of any kind or from any Federal
19 source (including any disaster or other financial as-
20 sistance, loan proceeds, and any other assistance or
21 subsidy) to repay the debt.

22 (4) The commitment to guarantee shall specify
23 the fees for debt guarantee coverage.

1 (5) The maximum term of the debt that shall
2 be specified in a commitment issued under this sec-
3 tion may not exceed 30 years.

4 (6) The Secretary determines that the eligible
5 State program does not cover losses arising from
6 floods to properties that are required to be covered
7 by flood insurance, covered by flood insurance, or lo-
8 cated in areas having special flood hazards (as such
9 term is defined for purposes of the National Flood
10 Insurance Act of 1968 and the Flood Disaster Pro-
11 tection Act of 1973).

12 (c) MANDATORY ASSISTANCE FOR ELIGIBLE STATE
13 PROGRAMS.—The Secretary shall upon the request of an
14 eligible State program and pursuant to a commitment to
15 guarantee issued under subsection (b), provide a guar-
16 antee under subsection (d) for such eligible State program
17 in the amount requested by such eligible State program,
18 subject to the limitation under subsection (d)(2).

19 (d) CATASTROPHIC DEBT GUARANTEE.—A debt
20 guarantee under this subsection for an eligible State pro-
21 gram shall be subject to the following requirements:

22 (1) PRECONDITIONS.—The eligible State pro-
23 gram shows to the satisfaction of the Secretary that
24 insured losses in the State to the eligible State pro-
25 gram arising from the event or events covered by the

1 commitment to guarantee are likely to exceed the eli-
2 gible State program's available cash resources, as of
3 immediately before the date of the event.

4 (2) AMOUNT.—The aggregate principal amount
5 of the debt guaranteed following an event or events
6 referred to in paragraph (1) may not exceed the
7 amount by which the insured losses expected to be
8 sustained by the State program as a result of such
9 event or events exceed 80 percent of the qualifying
10 assets of the eligible State program as stated in the
11 most recent quarterly financial statement filed with
12 the domiciliary regulator of the program prior to the
13 event or events, except that, for eligible State pro-
14 grams that are not required to file such quarterly fi-
15 nancial statements, the aggregate principal amount
16 of the debt guaranteed may not exceed the amount
17 by which insured losses sustained by the State pro-
18 gram as a result of such event or events exceed 80
19 percent of the unrestricted net assets as stated in
20 the annual financial statement for the program's fis-
21 cal year ending immediately prior to the event or
22 events.

23 (3) USE OF FUNDS.—Amounts of debt guaran-
24 teed under this section shall be used only to pay the
25 costs of issuing debt and to pay the insured losses

1 and loss adjustment expenses incurred by an eligible
2 State program. Such amounts shall not be used for
3 any other purpose.

4 (e) FUNDING.—There are authorized to be appro-
5 priated such sums as may be necessary to carry out this
6 section.

7 **SEC. 203. EFFECT OF GUARANTEE.**

8 The issuance of any guarantee by the Secretary
9 under this title shall be conclusive evidence that—

- 10 (1) the guarantee has been properly obtained;
11 (2) the underlying debt qualified for such guar-
12 antee; and
13 (3) the guarantee is valid, legal, and enforce-
14 able.

15 **SEC. 204. FULL FAITH AND CREDIT.**

16 The full faith and credit of the United States is
17 pledged to the payment of all guarantees issued under this
18 title with respect to principal and interest.

19 **SEC. 205. FEES FOR GUARANTEES; AMOUNT; COLLECTION.**

20 The Secretary shall charge and collect fees for each
21 guarantee in amounts specified in the commitment to
22 guarantee, which shall be in amounts sufficient in the
23 judgment of the Secretary at the time of issuance of the
24 commitment to guarantee to cover applicable administra-
25 tive costs and probable losses on the guaranteed obliga-

1 tions covered by the commitment to guarantee, but in any
2 event not to exceed one-half of 1 percent per annum of
3 the outstanding indebtedness covered by each guarantee.

4 **SEC. 206. PAYMENT OF LOSSES.**

5 (a) IN GENERAL.—The Secretary agrees to pay to
6 the duly appointed paying agent or trustee (in this section
7 referred to as the “Fiscal Agent”) for the eligible State
8 program that portion of the principal and interest on any
9 debt guaranteed under this title that shall become due for
10 payment but shall be unpaid by the eligible State program
11 as a result of such program having provided insufficient
12 funds to the Fiscal Agent to make such payments. The
13 Secretary shall make such payments on the date such
14 principal or interest becomes due for payment or on the
15 business day next following the day on which the Secretary
16 shall receive notice of failure on the part of the eligible
17 State program to provide sufficient funds to the Fiscal
18 Agent to make such payments, whichever is later. Upon
19 making such payment, the Secretary shall be subrogated
20 to all the rights of the ultimate recipient of the payment.
21 The Secretary shall be entitled to recover from the eligible
22 State program the amount of any payments made pursu-
23 ant to any guarantee entered into under this title.

24 (b) ROLE OF THE ATTORNEY GENERAL.—The Attor-
25 ney General shall take such action as may be appropriate

1 to enforce any right accruing to the United States as a
2 result of the issuance of any guarantee under this title.

3 (c) RIGHT OF THE SECRETARY.—Notwithstanding
4 any other provision of law relating to the acquisition, han-
5 dling, or disposal of property by the United States, the
6 Secretary shall have the right in the discretion of the Sec-
7 retary to complete, recondition, reconstruct, renovate, re-
8 pair, maintain, operate, or sell any property acquired by
9 the Secretary pursuant to the provisions of this title.

10 **SEC. 207. REGULATIONS.**

11 The Secretary shall issue any regulations necessary
12 to carry out the debt-guarantee program established under
13 this title.

14 **TITLE III—REINSURANCE COV-**
15 **ERAGE FOR ELIGIBLE STATE**
16 **PROGRAMS**

17 **SEC. 301. PROGRAM AUTHORITY.**

18 The Secretary of the Treasury, shall make available
19 for purchase, only by eligible State programs, contracts
20 for reinsurance coverage under this title.

21 **SEC. 302. CONTRACT PRINCIPLES.**

22 Contracts for reinsurance coverage made available
23 under this title—

24 (1) shall be priced on an actuarially sound
25 basis;

1 (2) shall minimize the administrative costs of
2 the Federal Government; and

3 (3) shall provide coverage based solely on in-
4 sured losses covered by the eligible State program
5 purchasing the contract.

6 **SEC. 303. TERMS OF REINSURANCE CONTRACTS.**

7 (a) **MINIMUM ATTACHMENT POINT AND LEVELS OF**
8 **COVERAGE.**—The Secretary shall establish attachment
9 points at which reinsurance coverage under this title is
10 provided to eligible State programs. In setting attachment
11 points and in determining the levels of reinsurance cov-
12 erage provided, the Secretary shall take into consider-
13 ation—

14 (1) the coverage available through eligible State
15 programs;

16 (2) the availability and accessibility of reinsur-
17 ance in the private market; and

18 (3) other factors as deemed appropriate by the
19 Secretary.

20 (b) **EIGHTY TO NINETY PERCENT COVERAGE OF IN-**
21 **SURED LOSSES IN EXCESS OF RETAINED LOSSES.**—Each
22 contract for reinsurance coverage under this title shall
23 provide that the amount paid out under the contract shall
24 be equal to at least 80 percent, but not more than 90 per-
25 cent, of the amount of insured losses of the eligible State

1 program in excess of the amount of retained losses that
2 the contract requires, pursuant to subsection (a), to be
3 incurred by such program.

4 (c) MATURITY.—The term of each contract for rein-
5 surance coverage under this title shall not exceed 1 year
6 or such other term as the Secretary may determine.

7 (d) PAYMENT CONDITION.—Each contract for rein-
8 surance coverage under this title shall authorize claims
9 payments to the eligible State program purchasing the
10 coverage only for insured losses provided under the con-
11 tract.

12 (e) MULTIPLE EVENTS.—The contract shall cover
13 any insured losses from one or more events that may occur
14 during the term of the contract and shall provide that if
15 multiple events occur, the retained losses requirement
16 under subsection (a) shall apply on a calendar year basis,
17 in the aggregate and not separately to each individual
18 event.

19 (f) TIMING OF CLAIMS.—Claims under a contract for
20 reinsurance coverage under this title shall include only in-
21 surance claims that are reported to the eligible State pro-
22 gram within the 3-year period beginning upon the event
23 or events for which payment under the contract is pro-
24 vided.

1 (g) ACTUARIAL PRICING.—The price of coverage
2 under a reinsurance contract under this title shall be an
3 amount, established by the Secretary at a level that annu-
4 ally produces expected premiums that shall be sufficient
5 to pay the reasonably anticipated cost of all claims (which
6 may not be equal only to average annual costs), loss ad-
7 justment expenses, all administrative costs of reinsurance
8 coverage offered under this title, and any such outwards
9 reinsurance, as described in section 305(c)(3), as the Sec-
10 retary considers prudent taking into consideration the de-
11 mand for reinsurance coverage under this title. The antici-
12 pated cost of all claims shall be comparable to amounts
13 being included in the price for similar layers of coverage
14 in the private sector, taking into account the savings asso-
15 ciated with non-profit and tax-exempt status of the Fund
16 established under section 305.

17 (h) INFORMATION.—Each contract for reinsurance
18 coverage under this title shall contain a condition pro-
19 viding that the Secretary may require the eligible State
20 program that is covered under the contract to submit to
21 the Secretary all information on the eligible State program
22 relevant to the duties of the Secretary under this title.

23 (i) OTHERS.—Contracts for reinsurance coverage
24 under this title shall contain such other terms as the Sec-
25 retary considers necessary to carry out this title and to

1 ensure the long-term financial integrity of the program
2 under this title.

3 **SEC. 304. MAXIMUM FEDERAL LIABILITY.**

4 (a) IN GENERAL.—Subject to subsection (b) and not-
5 withstanding any other provision of law, the aggregate po-
6 tential liability for payment of claims under all contracts
7 for reinsurance coverage under this title sold in any single
8 year shall be determined by the Secretary based on review
9 of the market for reinsurance coverage under this title.

10 (b) LIMITATION.—The authority of the Secretary to
11 enter into contracts for reinsurance coverage under this
12 title shall be effective for any fiscal year only to such ex-
13 tent or in such amounts as are or have been provided in
14 appropriation Acts for such fiscal year for the aggregate
15 potential liability for payment of claims under all contracts
16 for reinsurance coverage under this title.

17 **SEC. 305. FEDERAL NATURAL CATASTROPHE REINSUR-**
18 **ANCE FUND.**

19 (a) ESTABLISHMENT.—There is established within
20 the Treasury of the United States a fund to be known
21 as the Federal Natural Catastrophe Reinsurance Fund (in
22 this section referred to as the “Fund”).

23 (b) CREDITS.—The Fund shall be credited with—

24 (1) amounts received annually from the sale of
25 contracts for reinsurance coverage under this title;

1 (2) any amounts appropriated for the aggregate
2 potential liability for payment of claims under all
3 contracts for reinsurance coverage under this title;
4 and

5 (3) any amounts earned on investments of the
6 Fund pursuant to subsection (d).

7 (c) USES.—Amounts in the Fund shall be available
8 to the Secretary only for the following purposes:

9 (1) CONTRACT PAYMENTS.—For payments to
10 purchasers covered under contracts for reinsurance
11 coverage for eligible losses under such contracts.

12 (2) ADMINISTRATIVE EXPENSES.—To pay for
13 the administrative expenses incurred by the Sec-
14 retary in carrying out the reinsurance program
15 under this title.

16 (3) OUTWARDS REINSURANCE.—To obtain
17 retrocessional or other reinsurance coverage of any
18 kind to cover risk reinsured under contracts for rein-
19 surance coverage made available under this title.

20 (d) INVESTMENT.—The Secretary shall invest such
21 amounts in the Fund as the Secretary considers advisable
22 in obligations issued or guaranteed by the United States.
23 For purposes of the grant mandate in section 401(e) for
24 a fiscal year, the Secretary shall disclose the annual net
25 investment income available not later than 60 days after

1 the conclusion of such fiscal year and disperse appropriate
2 funds not later than 90 days after the conclusion of such
3 fiscal year.

4 **SEC. 306. CONSIDERATION OF REBUILDING.**

5 Nothing in this title may be construed to prevent
6 counties, municipalities, and other localities from under-
7 taking land and environmental assessments to determine
8 the efficacy of rebuilding.

9 **SEC. 307. REGULATIONS.**

10 The Secretary shall issue any regulations necessary
11 to carry out the program for reinsurance coverage under
12 this title.

13 **TITLE IV—MITIGATION GRANT**
14 **PROGRAM**

15 **SEC. 401. MITIGATION GRANT PROGRAM.**

16 (a) ESTABLISHMENT.—The Secretary of Housing
17 and Urban Development shall establish and carry out a
18 program to provide grants to eligible entities to develop,
19 enhance, or maintain programs to prevent and mitigate
20 losses from natural catastrophes.

21 (b) GRANTS.—A grant provided under subsection (a)
22 shall be used to reduce loss of life and property by—

23 (1) encouraging awareness of risk factors and
24 what steps can be taken to eliminate or reduce them,

1 including public education campaigns to promote cit-
2 izen and community preparedness;

3 (2) assisting in the determination of the loca-
4 tion of risk by giving careful consideration to the
5 natural risks for the location of a property;

6 (3) providing inspections of homes to identify
7 areas to strengthen such homes and reduce exposure
8 to natural catastrophes;

9 (4) providing financial assistance to home-
10 owners to retrofit homes to reduce exposure to nat-
11 ural catastrophes; or

12 (5) supporting disaster response readiness pro-
13 grams, including initiatives that develop, enhance ,or
14 maintain the capacity of a public safety organization
15 to be better prepared, equipped, and trained to re-
16 spond to natural catastrophes.

17 (c) PRIORITY.—In making grants under the program
18 under subsection (a), the Secretary shall give priority to
19 applicants demonstrating greater financial need, including
20 applicants serving lower income individuals and areas.

21 (d) CONSULTATION WITH EXPERTS.—In carrying
22 out the program established under subsection (a), the Sec-
23 retary of Housing and Urban Development shall consult
24 with—

- 1 (1) disaster preparedness and response organi-
2 zations;
3 (2) homebuilders;
4 (3) real estate professionals;
5 (4) building code enforcement agencies; and
6 (5) any other person that the Secretary con-
7 siders appropriate.

8 (e) ELIGIBLE ENTITY DEFINED.—In this section, the
9 term “eligible entity” means a State or local government,
10 a part or program of a State or local government, or a
11 nationally recognized, congressionally chartered disaster
12 response non-profit organization.

13 (f) GRANT MANDATE.—The Secretary shall, to the
14 extent provided in advance in appropriation Acts, use not
15 less than 35 percent of the net investment income from
16 the Federal Natural Catastrophe Reinsurance Fund
17 earned in each fiscal year pursuant to section 305(d) for
18 grants under this section.

19 **TITLE V—GENERAL PROVISIONS**

20 **SEC. 501. ELIGIBLE STATE PROGRAMS.**

21 (a) ELIGIBLE STATE PROGRAMS.—A State program
22 shall be considered an “eligible State program” for pur-
23 poses of this Act if the Secretary certifies, in accordance
24 with the procedures established under subsection (c), that

1 the State program complies with the following require-
2 ments:

3 (1) STATE PROGRAM DESIGN.—The State pro-
4 gram is established and authorized by State law as
5 an insurance program or a reinsurance program that
6 is designed to improve private insurance markets
7 and that offers residential property insurance cov-
8 erage for losses arising from any personal residential
9 line of insurance, as defined in the Uniform Prop-
10 erty and Casualty Product Coding Matrix of the Na-
11 tional Association of Insurance Commissioners.

12 (2) OPERATION.—The State program shall
13 meet the following requirements:

14 (A) A majority of the members of the gov-
15 erning body of the State program shall be pub-
16 lic officials or appointed by public officials.

17 (B) The State shall have a financial inter-
18 est in the State program.

19 (C) If the State has at any time appro-
20 priated amounts from the State program's
21 funds for any purpose other than payments for
22 losses insured under the State program, or pay-
23 ments made in connection with any of the State
24 program's authorized activities, the State shall
25 have returned such amounts to the State fund,

1 together with interest as determined by the in-
2 dividual State on such amounts.

3 (3) TAX STATUS.—The State program shall
4 have received from the Secretary (or the Secretary’s
5 designee) a written determination, within the mean-
6 ing of section 6110(b) of the Internal Revenue Code
7 of 1986, that the program either—

8 (A) constitutes an “integral part” of the
9 State that has created it; or

10 (B) is otherwise exempt from Federal in-
11 come taxation.

12 (4) EARNINGS.—The State program may not
13 provide for any distribution of any part of any net
14 profits of the State program to any insurer that par-
15 ticipates in the State program.

16 (5) PREVENTION AND MITIGATION.—

17 (A) MITIGATION OF LOSSES.—The State
18 program shall include provisions designed to en-
19 courage and support programs to mitigate
20 losses from natural catastrophes for which the
21 State insurance or reinsurance program was es-
22 tablished to provide insurance coverage.

23 (B) OPERATIONAL REQUIREMENTS.—The
24 State program shall operate in a State that—

1 (i) requires that an appropriate public
2 body within the State shall have adopted
3 adequate mitigation measures with effective
4 enforcement provisions which the Secretary
5 finds are consistent with the criteria
6 for construction described in the International
7 Code Council building codes;

8 (ii) has taken actions to establish an
9 insurance rate structure that takes into account
10 measures to mitigate insured losses;
11 and

12 (iii) ensures, to the extent that reinsurance
13 coverage made available under the eligible
14 State program results in any cost savings
15 in providing insurance coverage for risks
16 in such State, such cost savings are reflected
17 in premium rates charged to consumers
18 for such coverage.

19 (6) REQUIREMENTS REGARDING COVERAGE.—

20 The State program—

21 (A) may not, except for charges or assessments
22 related to post-event financing or bonding,
23 involve cross-subsidization between any
24 separate property and casualty insurance lines

1 covered under the State program pursuant to
2 paragraph (1);

3 (B) shall be subject to a requirement
4 under State law that for any insurance coverage
5 made available under the State insurance pro-
6 gram or for any reinsurance coverage for such
7 insurance coverage made available under the
8 State reinsurance program, the premium rates
9 charged shall cover the expected value of all fu-
10 ture costs associated with insurance policies or
11 reinsurance contracts written by such program,
12 in accordance with the principles under section
13 303(g);

14 (C) shall make available to all qualifying
15 policyholders insurance or reinsurance coverage,
16 as applicable, and mitigation services on a basis
17 that is not unfairly discriminatory; and

18 (D) publishes, and displays in a prominent
19 location on a Website for the State insurance
20 program, information for the State insurance
21 program of estimated assessments and sur-
22 charges on policyholders, in accordance with
23 State laws, regulations, or other requirements,
24 for a range of natural disaster or catastrophic
25 events having a varying magnitude of losses, in-

1 cluding an event projected to result in losses of
2 such magnitude that they have a 1 percent
3 chance of being equaled or exceeded in any sin-
4 gle year, based on the current year estimated
5 aggregate funding capacity of the State insur-
6 ance program and State reinsurance program.

7 (7) LAND USE AND ZONING.—The State pro-
8 gram, to the extent possible, seeks to encourage ap-
9 propriate State and local government units to de-
10 velop comprehensive land use and zoning plans that
11 include natural hazard mitigation.

12 (8) RISK-BASED CAPITAL REQUIREMENTS.—
13 The State program—

14 (A) complies with such risk-based capital
15 requirements as applicable State law may im-
16 pose and shall take into consideration asset
17 risk, credit risk, underwriting risk, and such
18 other relevant risk as determined by the Sec-
19 retary; and

20 (B) for each calendar year, prepares and
21 submits to the Secretary a report identifying its
22 claim-paying capacity at such time after the
23 conclusion of such year, and containing such in-
24 formation and in such form, as the Secretary
25 shall require.

1 (9) OTHER REQUIREMENTS.—The State pro-
2 gram complies with such additional organizational,
3 underwriting, and financial requirements as the Sec-
4 retary shall, by regulation, provide to carry out the
5 purposes of this Act.

6 (b) CERTIFICATION.—The Secretary shall establish
7 procedures for initial certification and recertification as an
8 eligible State program.

9 (c) TRANSITIONAL MECHANISMS.—For the 5-year
10 period beginning on the date of the enactment of this Act,
11 in the case of a State that does not have an eligible State
12 program for the State, a State residual insurance market
13 entity, or State-sponsored provider of natural catastrophe
14 insurance, for such State shall be considered to be an eligi-
15 ble State program, but only if such State residual insur-
16 ance market entity, or State-sponsored provider of natural
17 catastrophe insurance, was in existence before such date
18 of enactment.

19 (d) REINSURANCE TO COVER EXPOSURE.—This sec-
20 tion may not be construed to limit or prevent any eligible
21 State program from obtaining reinsurance coverage for in-
22 sured losses retained by insurers pursuant to this section.

1 **SEC. 502. STUDY AND CONDITIONAL COVERAGE OF COM-**
2 **MERCIAL RESIDENTIAL LINES OF INSUR-**
3 **ANCE.**

4 The Secretary shall study, on an expedited basis, the
5 need for and impact of expanding the programs estab-
6 lished by this Act to apply to insured losses of eligible
7 State programs for losses arising from all commercial in-
8 surance policies which provide coverage for properties that
9 are composed predominantly of residential rental units.
10 The Secretary shall consider the catastrophic insurance
11 and reinsurance market for commercial residential prop-
12 erties, and specifically the availability of adequate private
13 insurance coverage when an insured event occurs, the im-
14 pact any such capacity restrictions have on housing afford-
15 ability for renters, and the likelihood that such an expan-
16 sion of the program would increase insurance capacity for
17 this market segment.

18 **SEC. 503. STUDY OF RISK-BASED PRICING AND STATE PRO-**
19 **GRAM RATES.**

20 The Comptroller General of the United States shall
21 conduct a study to analyze—

22 (1) risk-based rate pricing, to determine the use
23 of actuarially sound pricing for State insurance, re-
24 insurance, or residual market programs, including
25 what measures States are taking to implement actu-
26 arially sound rates;

1 (2) rates for State insurance, reinsurance, or
2 residual market programs that fail to cover the ex-
3 pected value of all future costs, including the cost of
4 capital, associated with insurance policies or reinsur-
5 ance contracts written by such programs or fail to
6 have sufficient assets above their indebtedness to
7 meet their obligations; and

8 (3) any financial complications arising for pol-
9 icyholders resulting from increased policy costs.

10 Not later than 6 months after the date of the enactment
11 of this Act, the Comptroller General shall submit a report
12 to the Congress on the results of the study under this sec-
13 tion.

14 **SEC. 504. DEFINITIONS.**

15 In this Act:

16 (1) **COMMITMENT TO GUARANTEE.**—The term
17 “commitment to guarantee” means a commitment to
18 make debt guarantees to an eligible State program
19 pursuant to section 202(c).

20 (2) **ELIGIBLE STATE PROGRAM.**—The term “eli-
21 gible State program” means a State program that
22 the Secretary certifies as an eligible State program
23 under section 501.

24 (3) **INSURED LOSS.**—The term “insured loss”
25 means any loss that is determined by an eligible

1 State program as being covered by insurance or re-
2 insurance made available under that eligible State
3 program.

4 (4) QUALIFYING ASSETS.—The term “quali-
5 fying assets” means the policyholder surplus of the
6 eligible State program as stated in the most recent
7 quarterly financial statement filed by the program
8 with the domiciliary regulator of the program in the
9 last quarter ending prior to the event or events.

10 (5) SECRETARY.—The term “Secretary” means
11 the Secretary of the Treasury.

12 (6) STATE.—The term “State” includes the
13 several States, the District of Columbia, the Com-
14 monwealth of Puerto Rico, Guam, the Common-
15 wealth of the Northern Mariana Islands, the United
16 States Virgin Islands, and American Samoa, and
17 any other territory or possession of the United
18 States.

19 **SEC. 505. REGULATIONS.**

20 The Secretary shall issue such regulations as may be
21 necessary to carry out this Act.